

Federation
Charter of Principles
Adopted February 5, 2011

Preamble As the Federation of Qualified State Beef Councils under the Beef Promotion and Research Act (the **Act**) and related promotion order (the **Order**), the Federation Division of the National Cattlemen’s Beef Association (**Federation**) adopts this charter of principles (the **Charter**) to assure two things. First, prescription of a framework for appropriate independence in Federation decision making. Second, continuation and enrichment of the efficiencies, synergies and prospects of greater financial returns to beef producers the Beef Checkoff Program has enjoyed by virtue of the Federation’s existing national-state partnership with NCBA.

As successor to the Beef Industry Council of the National Live Stock and Meat Board (**BIC**), the Federation Division, as did the BIC, serves a foundational, central role in building increased consumer demand for beef. It is a critical voice and performance vehicle by which producers and qualified state beef councils (**SBC’s**) collectively influence and give direction to the Beef Checkoff Program. It is an original architect of the Industry Long Range Plan and a leading advocate for and defender of the “one vision, one plan, one voice” approach to beef market development.

The Federation has two primary funding sources – contracts with the Beef Promotion Operating Committee (**BPOC**) and funds pooled by SBC’s for use in the coordinated state-national program. It recognizes that the BPOC and SBC’s have options. They need not commit funds to it. Each year it must earn anew their confidence and investments.

The Federation believes this Charter will help strengthen that confidence by more clearly communicating to the BPOC, individual SBC’s and producers in general the terms of the Federation’s operation as part of NCBA and the nature of its decision making for the Beef Checkoff Program.

1. **No Influencing Government Policy or Action** The Act and Order prohibit use of the checkoff for the purpose of influencing governmental policy or action. The Federation commits unreservedly to observe this prohibition. Other principles in the Charter will help assure compliance.

2. **BPOC Representatives** The Act and Order provide that eight duly elected producer representatives of the Federation Board of Directors, together with the

Federation chairperson and vice chairperson, represent the Federation on the BPOC. The Federation Division is the Federation Board of Directors.

The Federation shall participate in a nominating process conducted by a Joint Nominating Committee (the **Nominating Committee**). The Federation representatives on the Nominating Committee shall consist of seven members of the Federation Division, one elected from each of seven geographical regions of the United States as follows or as otherwise established by the Federation from time to time (**Regions**):

- Region I Connecticut, Delaware, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia.
- Region II Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.
- Region III Illinois, Iowa, Minnesota, Missouri, and Wisconsin.
- Region IV Arkansas, Oklahoma, and Texas.
- Region V Alaska, Colorado, Idaho, Montana, Oregon, Washington, and Wyoming.
- Region VI Arizona, California, Hawaii, Nevada, New Mexico, and Utah.
- Region VII Kansas, Nebraska, North Dakota, and South Dakota.

For Federation chairperson and vice chairperson, and the additional eight BPOC members (the **Ten**), the Nominating Committee shall consider only candidates proposed by the SBC's and shall conduct itself in a manner consistent with independent decision making by the Federation members of the Nominating Committee in election of the Ten. Only the Federation members of the Nominating Committee shall vote on the slate of nominees for the Ten. At all elections for the Ten, additional nominations may be made by SBC's from the floor. The Federation (and one representative appointed by each SBC not represented on the Federation) alone shall vote in any election for the Ten.

3. **Federation Executive Committee** The Federation Section of the NCBA Executive Committee will serve as the Federation Executive Committee

(NCBA's bylaws provide for an Executive Committee which includes the following Federation directors, denominated as the Federation Section: one Regional Vice President elected by each of the seven Regions; the Federation chairperson and vice chairperson; one veal industry representative; one appointed by each SBC which contributes ten percent or more of the Federation's total SBC investments; and any other Executive Committee member who is a Federation director. The Federation Section is empowered to exercise the authority of the Federation when it is not in session.)

4. **Banking/Investments, etc.** All checkoff funds received by the Federation from the BPOC and SBC's (**Checkoff Funds**) shall be deposited and maintained in banking and investment accounts in the name of the Federation (the **Checkoff Accounts**). All other funds received by the Federation (**Non-Checkoff Funds**) shall be deposited and maintained in additional banking and investment accounts in the name of the Federation (the **Non-Checkoff Accounts**). No other funds shall be placed in or commingled with these accounts. Funds from the Checkoff Accounts shall be used exclusively for activity eligible for funding under the Act and Order. All transactions using funds from the Checkoff and the Non-Checkoff Accounts shall be made in the name of the Federation. The Federation shall cause records to be maintained for all transactions using these accounts and shall cause separate financial reporting to be made for all activity in them.

5. **Annual Budget** The Federation shall have exclusive authority over approval of the annual budget for all Checkoff and Non-Checkoff Funds received by it.

6. **Senior Executive** NCBA's chief executive officer shall appoint a senior management executive who shall report to the NCBA chief executive officer and serve as the point person for Federation activities.

7. **Operations Memorandum** There shall be prepared a long-term, renewable Operations Memorandum for services which NCBA provides to support checkoff funded programs conducted by the Federation and which are reimbursable on a cost recovery basis under the Act and Order. The Operation Memorandum shall cover items such as office space, business equipment and supplies, administrative services (i.e. human resources, accounting, information technology, etc.) and staff time. It shall specify the manner in which these services shall be documented consistent with guidelines made applicable by contracts between the Federation and the BPOC or which otherwise apply to expenditure of the checkoff.

8. **Integration/Segregated Voting** NCBA shall honor the independent decision-making of the Federation and the Federation Executive Committee. Federation directors will not vote on matters which do not involve the checkoff. Policy Division directors will not vote on matters that do not involve policy.

9. **Compliance Function** NCBA shall appoint a staff officer, with direct line of communication to the Federation and the Federation Executive Committee, with continuing responsibility to monitor compliance with the Charter Principles, including those relating to the independence of Federation and Federation Executive Committee decision making and the accuracy and integrity of financial transactions and reporting involving checkoff funds managed under the auspices of the Federation.

10. **Participation in Exempt Status, etc.** The Federation commits to conducting its affairs in a manner which continues the efficiencies and transparencies associated with sharing in NCBA's tax exempt status, liability protection by virtue of NCBA's nonprofit status and public transparency achieved through NCBA's IRS Form 990 financial reporting and disclosure obligations.

11. **Adoption, Amendment, etc.** This Charter may be modified or amended only by a vote of the majority of Federation directors present at a meeting of the Federation at which a quorum has been established.

12. **Concordance** The Charter Principles are to be applied in accordance with all applicable laws, including the Act and Order, governing the Federation and NCBA.